

Atlantic Pacific Australian Equity Fund

ARSN 158 861 155

Fund Monthly May 2022

Return Summary (To May 2022)

Period	1 mth	3 mth	6 mth	1 yr	3 yr (pa)	5 yr (pa)	Cumulative	Per Annum
Fund Return	0.95%	5.8%	14.7%	23.9%	12.4%	8.4%	128.0%	9.5%
S&P/ASX200 Acc.	-2.60%	3.2%	1.4%	4.8%	7.8%	8.8%	112.1%	8.6%
Excess return	3.55%	2.6%	13.2%	19.1%	4.6%	-0.5%	16.0%	0.9%

Fund Returns are prepared on a redemption unit price basis after management and performance fees inclusive of GST. Distributions are assumed to be re-invested at the mid unit price. Individual tax is not taken into account in deriving Fund Returns. In calculating the NTA, the Atlantic Pacific Australian Equity Fund ("Fund") asset values have been calculated using unaudited price and income estimates for the month being reported. Past performance is not indicative of future performance.

Cumulative Returns of \$100,000

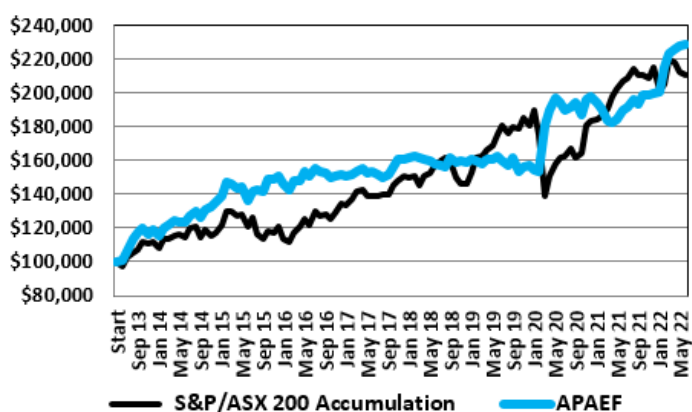
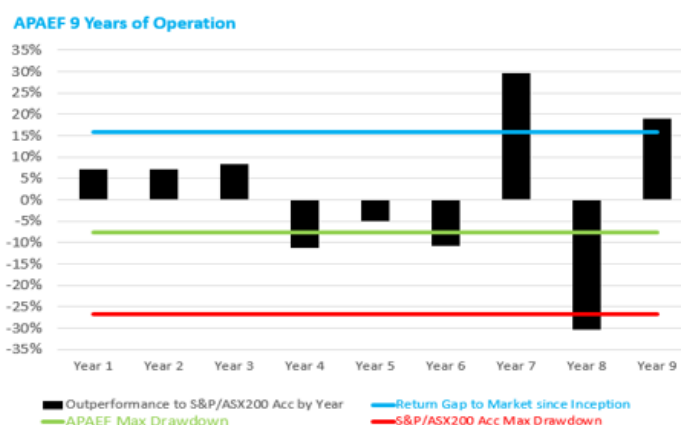


Chart of the Month



Portfolio Activity

Opportunistic Long & Short

There were various companies that underwent significant re-ratings over the month which we took advantage of to provide relative alpha in what was a messy month for returns. The low was down 6.4% to be down 2.6% by month's end. Aristocrat (ALL), reported very strong numbers for their half year with a return to high patronage in casinos in the US. We had thought the opportunity was asymmetrically positive leading into the report but decided to buy ex-event to de-risk somewhat given the general dynamic in markets. They have announced a very small buy-back which didn't excite us to hold any longer than a couple of days buying @ \$33.25 and selling @ \$35.69 leading to a 3-day return of 7%. Nufarm (NUF) had a sell-down by a strategic long term investor during the month and fell 14.6% on the day by which time it had fallen ~22%. We thought given the overall positive dynamics for the company, an on close purchase of NUF @ 4.99 had much of the risk washed out. We subsequently liquidated averaging \$5.29 leading to a 3-day return of 6%. We also finally covered our short position in Woolworths (WOW) after selling @ \$41.70 and covering near \$35 leading to a return of ~13% including dividends. As mentioned last month, we have been patient over the past year putting on shorts which had reflected "nutty prices" or "quality at any price". We remain firm on the view that valuation discipline has gone haywire and there will be a payoff on these super-expensive stocks when bond rates are truly reflected in long duration assets.

Liquidation of Positions Long

It appears the tone in the daily dialogue of the market had sharpened somewhat to factor in a likelihood of a recession with expectations of bond rates rising driven by fever-pitched soundings on the global inflation cycle. We take a pragmatic view and don't see the outcome of a recession anytime soon, but obviously we need to be aware and act accordingly. Nonetheless, there were certain sectors that we liquidated over the month in line with attempting to optimise tax outcomes for unitholders for year end as well as attempting to anticipate various industry dynamics. We decided to take the knife to our entire media exposure knowing that these sorts of companies will be one of the first to see reduce spending by companies if the 'R'-word is part of general board chatter. This led to the following liquidations: Seven West Media (@\$57.5c), Ooh!Media (@\$1.42) and News Corp (@ \$25.35). Media companies had been exposed to what appeared a gentle up-cycle in line with reflationary dynamics and it wasn't apparent at the time of investment, this would come unstuck. We also took the knife to Goodman Group after learning that one of their major customers for warehouse distribution had grown too fast ie was pulling back intentions to build more warehouse capacity. Given this underlying dynamic, we are now looking at this equity from the short side where prices rally into strength. We also took the knife to energy intensive industries including Building Materials (Adbri) and Alumina (AWC). Given where energy prices have reached globally with no apparent reason to revert, this is not a space we can justify on the long side. Overall, we have saved up to 24% negative absolute returns by anticipating the actions of others.

Portfolio Positioning

Macroeconomic uncertainty still persists in global equity markets. This is expected as we adjust to the new normal of higher bond rates and whether central banks across the globe are going to be kind to equity investors via their communication strategy. Rest assured we have no appetite for unintended hawkishness and will attempt to remove risk into any announcement. Given we are very early into the true trajectory of interest rates we will always err on the side of caution. Similarly, when reviewing various equities now undergoing liquidation events into the tax-loss selling environment, we are now investigating in earnest the potential for some companies to bounce back materially once the selling has abated. Our ability to be opportunistic will hopefully come to the forefront over coming months as we assess the upcoming reporting season in unison.

We would like to thank all investors who have participated in the Fund over the past 9 years. Yes its our birthday! We started small with the goal of creating a differentiated product to provide equity-like returns with substantially lower downside risk. We believe we have achieved this as per the Chart of the Month. While the return profile may appear unusual from time to time, we have always sought to be mindful of sequencing risk as new investors jumped onboard. The past year has been very busy with the build out of our investment team to now include 2 more analysts. We are sure the coming year will be just as busy.

Fund Strategy

The Fund is a long-bias equity market product which typically buys or short sells Australian listed securities and derivatives. Net and Gross market exposure is maintained within a range of 0-100% and 0-200%, respectively. The Investment manager employs its Quadruple Alpha Investment Strategy which focuses on outperforming overall market cycles by capturing upside returns while minimising downside risk. The objective of the Fund is to outperform the benchmark after fees and expenses over a 5-7 year time frame.

Risk Statistics (As at May 2022)

	Fund		S&P/ASX 200 AI	
	3 Year	Inception	3 Year	Inception
Alpha (%pa)	4.6%	0.9%		
Downside Capture	-37%	15%		
Standard Deviation	13.1%	9.9%	17.5%	13.5%
Sharpe ratio	0.7	0.8	0.6	0.6
Sortino		1.7		1.5
Largest Drawdown	-7.7%	-7.7%	-26.7%	-26.7%
Correlation	-35%	8%	100%	100%

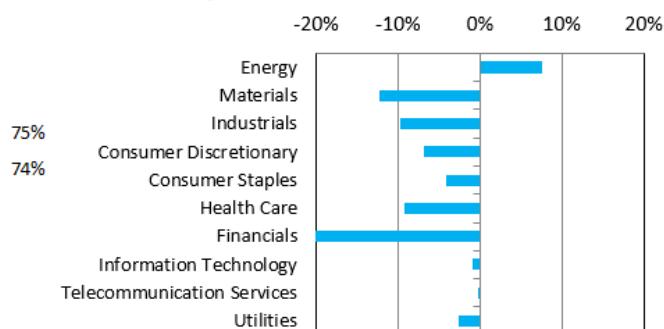
Exposure

	Long	Short	Net	Gross
Equity	55.3%	-3.2%	52.0%	58.5%
Index Futures	0.0%	-21.0%	-21.0%	21.0%
Net	55.3%	-24.2%	31.0%	79.5%
Implied Cash			69.0%	

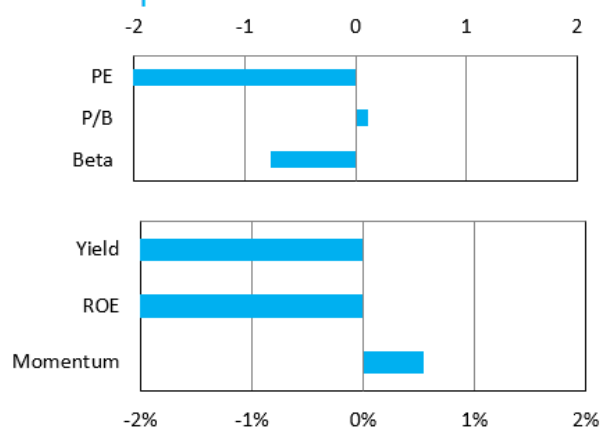
Largest Positions

Long	Short
CSL	Amcor
Pendal Group	Cochlear
Telstra Corporation	Sonic Healthcare
Terracom Resources	SPI Futures

Sector Exposure



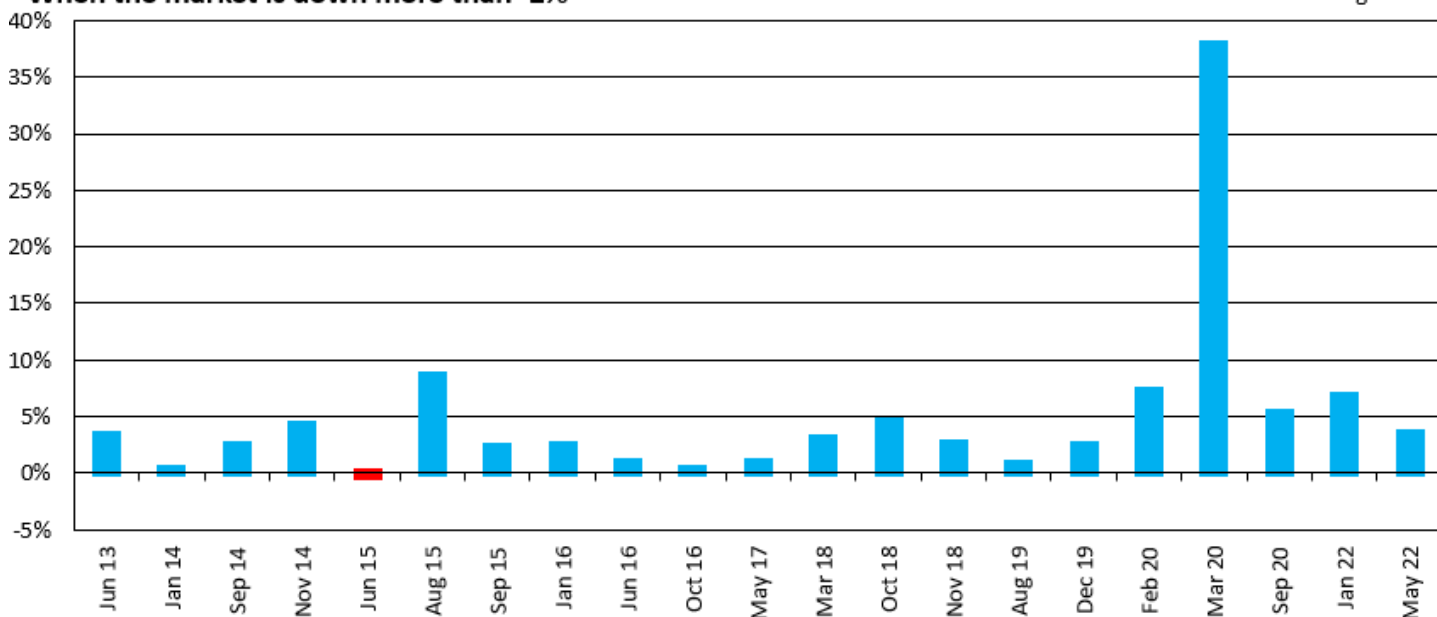
Factor Exposure



Source: APSEC Funds Management

APAEF Relative Returns (From Inception)

When the market is down more than -2%



Source: APSEC Funds Management

Fund Information (As at May 2022)

APIR Code	OMF0003AU	Responsible Entity	Equity Trustees Ltd
Inception	1 June 2013	Investment Manager	APSEC Funds Management
Minimum Investment	\$20,000	Administrator	Apex Group Ltd
Application/Redemption	Daily	Custodian	Apex Group Ltd
Management Fee	2.0%	Prime Broker	Interactive Brokers LLC
Benchmark	S&P/ASX200 Accumulation	Auditor	PriceWaterhouseCoopers
Performance Fee	15% above S&P/ASX 200 Accumulation + 3%pa subject to a high water mark		
Mid Unit Price	1.4610	Application Price	1.4625
		Redemption Price	1.4595

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Important information

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Atlantic Pacific Australian Equity Fund's Target Market Determination is available here – <https://www.eqt.com.au/insto/>. A Target Market Determination is a document which is required to be made available from 5 October 2021. It describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.

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